

Message Text

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PAGE 01 OTTAWA 01512 251614Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 ABF-01 FSE-00 /099 W

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TO SECSTATE WASHDC 6252

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PASS TREASURY

EO 11652 NA

TAGS EFIN CA

SUBJ BANK OF CANADA INTERVENTION IN FOREIGN EXCHANGE MARKETS

1. LOCAL PRESS REPORTED BANK OF CANADA INTERVENED IN FOREIGN EXCHANGE MARKETS BEGINNING APRIL 21 IN ORDER REVERSE SHARP DECLINE IN EXCHANGE RATE WITH U.S. DOLLAR. AT ITS NADIR DURING WEEK OF APRIL 14, CANADIAN DOLLAR REACHED US\$.9833, LOWEST LEVEL SINCE SEPTEMBER 1971. ANALYSTS ATTRIBUTED DECLINE TO MARKET PESSIMISM RE EXPECTED CANADIAN TRADE DEFICIT FOR 1975 AND ABSENCE OF FOREIGN BORROWING ACTIVITY BY CANADIAN BOND ISSUES.

2. FOLLOWING EXCHANGE TOOK PLACE IN PARLIAMENT ON APRIL 23 ON BANK'S INTERVENTION:

BEGIN QUOTE

MR. PETER BAWDEN (CALGARY SOUTH): MR. SPEAKER, MY QUESTION IS FOR THE ACTING MINISTER OF FINANCE. IN VIEW OF THE REPORT THAT BANK OF CANADA TRADERS OFFICIALLY INTERVENED IN THE FOREIGN EXCHANGE MARKET ON MONDAY, REVERSING A SHARP DECLINE IN THE VALUE OF THE CANADIAN DOLLAR,

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PAGE 02 OTTAWA 01512 251614Z

WILL THE MINISTER ADVISE US WHETHER THE BANK OF CANADA

IS IMPLEMENTING GOVERNMENT POLICY HAVING REGARD TO THE
STATEMENT BY THE PRIME MINISTER IN THE HOUSE ON THE
SAME DAY THAT THE CANADIAN DOLLAR WAS FLOATING FREELY?

HON. C.M. DRURY (ACTING MINISTER OF FINANCE): I THINK
IT IS WELL RECOGNIZED - IT HAS BEEN STATED ON A NUMBER
OF OCCASIONS - THAT THE DOLLAR IS FREE IN THE SENSE
OF BEING SUBJECT TO LONG TERM MOVEMENTS IN THE INTER-
NATIONAL MARKETPLACE. HOWEVER, TO AVOID SHARP
FLUCTUATIONS THERE IS INTERVENTION BY THE BANK OF
CANADA PERIODICALLY.

MR. BAWDEN: IN VIEW OF THE FACT THAT THIS WAS A FAIRLY
MASSIVE INTERVENTION, ONE WHICH DID REVERSE THE DECLINE
OF THE DOLLAR, WOULD IT BE TRUE TO SAY THERE HAS BEEN
A CHANGE OF POLICY AND THAT CANADIAN CURRENCY IS NOT
NOW FLOATING FREELY?

MR. DRURY: I THINK THAT WOULD BE A WRONG CONCLUSION
TO DRAW. END QUOTE.

PORTER

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Message Attributes

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